

Current Support Brief

KHRUSHCHEV'S ECONOMIC OFFENSIVE AND ITS CRITICS



CIA/RR CB 63-42

6 May 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

CONFIDENTIAL

GROUP 1
Excluded from automatic
downgrading and
declassification

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

C-O-N-F-I-D-E-N-T-I-A-L

KHRUSHCHEV'S ECONOMIC OFFENSIVE AND ITS CRITICS

The sharp decline in new Soviet economic aid extensions -- from annual commitments of more than \$800 million in 1959 and in 1960 to less than \$275 million in 1962 and to only about \$35 million thus far this year -- has cast some doubt on the future course of Moscow's foreign aid program in underdeveloped areas of the Free World. However, the rapid pace of implementation of credits previously extended -- drawings, which were relatively small during the early years of the program, have risen rapidly in recent years to a peak of \$400 million in 1962 -- suggests that the lag in new extensions may be less attributable to immediate problems of resource allocation than to some longer range reevaluation of the foreign lending program itself. Evidence of internal problems over the allocation of resources for commitments by the USSR in heavy industry, consumer welfare, military and space programs, and support for its Bloc partners, coupled with some disappointing results of the program in Africa, Iraq, and elsewhere, might well have generated a political issue over foreign aid entirely incommensurate with the economic costs of the program and created a favorable atmosphere for the expression of an increasingly vocal "anti-give-away" sentiment among Communist Party elements both at home and abroad.

That Khrushchev's policy of trade and aid has not gone uncontested is perhaps best reflected in the frequency with which the leadership recently has been obliged to seek the public forum to defend it. Although the specific sources of contention are still matters for speculation and have not yet become the subject of public debate, it seems probable that such differences, and the repeated efforts to quell them, would not have arisen unless the current program was being seriously questioned.

1. "Anti-Party" and "Anti-Give-Away"

Perhaps the clearest intimation of differences over Soviet foreign economic policy was provided by M.A. Saburov's speech of 4 February 1959 at the 21st Congress of the Communist Party of the Soviet Union (CPSU). Pravda's failure to print the speech -- indeed the elimination

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

by Pravda of any reference to Saburov's statement in its publication of the full texts of every other speech delivered at the Congress -- was perhaps indicative of Khrushchev's reluctance to give much publicity to any opposition to the regime's program of economic assistance to underdeveloped countries, when he himself had declared at the Congress that "the Soviet Union and other socialist countries ... are extending and will continue to extend economic assistance to them." Except for a brief Tass summary, Saburov's speech appeared for the first time some months later in the stenographic report of the Congress. In it he charged the "anti-Party" group, of which he was an admitted participant, with "having opposed or tried in every way to obstruct the adoption of decisions on important problems of foreign policy." Saburov continued:

In particular, it opposed the Central Committee's policy in such important problems as the necessity of developing our economic ties with the People's Democracies and extending aid to these countries, to say nothing of our aiding the poorly developed and dependent countries of Asia and the Near East. 1/

Although the specific sources of contention are still matters for speculation, it seems likely that opposition has been directed at the "new look" in Soviet foreign economic policy -- the dramatic entry of the USSR into the foreign lending field. The explicit connection by Saburov of the "anti-Party" group with such opposition suggests that Khrushchev's trade and aid program may have caused some concern among more conservative Party elements who, aware of equipment needs at home, question the economic "profitability" of any large-scale export of capital resources that might slow the pace of domestic capital formation in exchange for foodstuffs and consumer goods which are of relatively low priority on an orthodox Soviet planner's preference scale.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

The Soviet leadership has sought repeatedly to reply to such objections on the basis of the wider perspectives of "proletarian internationalist duty," explaining that Soviet aid was not designed to be very "profitable" from the commercial point of view. "If one approaches the matter from this commercial side only, it would be profitable for the USSR to build new factories in its own country with these funds and then export the finished products." 2/ In a similar vein, Khrushchev has given the following explanation:

Although the Soviet Union and other socialist countries consider it their duty to help underdeveloped countries and to extend trade and all other forms of economic relations with them in every way, naturally, in their case we cannot say that our economic relations are based on mutual advantage. Generally speaking, from the commercial point of view, our economic and technical assistance to underdeveloped countries is even unprofitable for us. 3/

In spite of more recent protestations of the necessity to extend economic aid even at the cost of considerable self-sacrifice, reports from Moscow allude to recurrent evidences of popular disinterest in foreign aid and even the letters-to-the-editor columns of Pravda apparently have been employed to encourage lagging public support for the program. 4/ In a recent conversation with a US official a Soviet diplomat admitted (a) that there was strong opposition in the USSR to foreign aid; (b) that many people felt that for the amount of money expended on the Aswan Dam, for example, "seven or eight" projects of similar magnitude could be completed in the USSR; and (c) that the Egyptians "are not worth it." He also asserted that such attitudes would have a definite impact on Soviet foreign aid programs in the future. 5/

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

2. External Communist Opposition

The development of the Sino-Albanian dispute with the USSR following the 22d Party Congress has provided additional insight into Albanian objections and motivations on the subject of foreign aid. Scarcely had the Congress concluded its sessions, when Radio Prague, on 30 October 1961, charged the Tirana regime with attempting to tell the USSR, Czechoslovakia, and other socialist countries whom they should assist and whom they should not. The Albanians were accused further of predicating their opposition to foreign aid on a "basically incorrect" view of the international situation in that "they strongly opposed assistance to young Asian and African countries ... that are not members of the socialist camp, as strengthening a potential enemy." One week later the Czech publication Prace (5 November 1961), reporting a meeting between economists and trade unionists, reproduced the following comment:

The Albanian leaders have strange ideas about socialist internationalism. Among other things they want us, for instance, primarily and first of all to assist only the needy countries of the socialist camp and then some time in the future -- when these countries no longer need assistance -- to help the other underdeveloped countries. Assistance to underdeveloped countries, however, is an integral part of our concept of internationalism.

A similar theme was expounded in a major article on Soviet-Albanian relations by Konstantinov in Kommunist in which Moscow made explicit Albanian (and, by the clearest implication, Chinese) objections to large-scale Bloc aid to underdeveloped countries. The author reminded his readers that Albania "received from the USSR and other socialist countries aid and credits worth hundreds of millions of rubles" but that, ultimately, it began to make "inordinate demands" on the USSR and other socialist countries, "rather peculiarly interpreting the internationalist principle of brotherly cooperation and mutual aid as a one-sided responsibility of other socialist countries to satisfy all their

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

economic demands." Indeed, Konstantinov continues, this "nationalist narrow-mindedness and egotism of Hoxha and Shehu also found expression in their resentment of the aid rendered by the Soviet Union and other socialist countries to underdeveloped countries of Asia and Africa." Obviously, he continued, the Albanian leaders "do not understand the role of the neutral countries in the struggle for peace," nor do they understand that aid to such countries extends the "anti-imperialist front." 6/

More recently, in December 1962, Pravda reiterated its charges against "dogmatists and sectarians" who seek to "ignore the significance of economic aid by Socialist countries to underdeveloped states and to distort the results of this aid." In apparent reply to Chinese allegations that indiscriminate Bloc aid to a "national bourgeois" government serves only to consolidate that government's position and hinders rather than assists revolutionary prospects in these countries, Pravda maintained: "Only people [who are] unable to assess the nature of the changes wrought on the world by the rise of the socialist system argue that any country liberated from the colonial yoke whose power is not in the hands of the working class will necessarily follow the capitalist path and therefore strengthen the position of world capitalism." What such people ignore, the article in Pravda alleged, are the active encouragement of the forces of socialism in these countries rendered by the effective assistance and example of the socialist countries and the deep contradictions that exist between the "national bourgeoisie" and "imperialism." 7/

An undercurrent of resentment against the alleged burden of foreign economic assistance is evident in other countries of Eastern Europe. An article in a recent journal of the Hungarian Communist Party addressed itself to "comrades in our Party who do not understand the necessity of aid to young national states." Although apparently denying the claims of "some" that the Bloc has an obligation to increase such aid "even at the expense of their own economies" (ostensibly the position of Khrushchev as expressed in the quotations already cited), on grounds that such extremism would cause the socialist countries to "fall behind in the competition with imperialism, ... lead to a shift in power relationships to the benefit of imperialism, ... and [thus] ... greatly endanger the independence of the weakly developed countries," the author appealed for a wider understanding of the political implications of Bloc aid. 8/

C-O-N-F-I-D-E-N-T-I-A-L

In Czechoslovakia, whose commitment to foreign aid (either on a per capita basis or as a percentage of gross national product) is the highest in the Bloc and where shortages of foodstuffs and consumer goods have already caused some worker dissatisfaction, there are persistent reports of popular resentment against foreign aid, and particularly aid to Cuba. Indeed it has been reliably reported that President Novotny has made a strong plea to Khrushchev (reportedly rejected by the Soviet Premier) that Czechoslovak commitments of aid to developing countries be reduced in view of the state of the Czechoslovak economy.

3. Tentative Conclusions

Latent opposition to the ambitious Soviet foreign lending program is only a peripheral issue in the USSR and apparently a reflection of more fundamental internal Communist debates over resource allocation and questions of world Communist strategy generally. Nevertheless, this opposition may encompass the common interests shared by those who are inclined toward traditional priority development of heavy industry, by those who oppose any diminution of conventional military forces, and by those who favor a more aggressive posture toward the West as well as by the public at large for whom often-promised improvement in the standard of living must once again be postponed because of increasing strains on the nation's resources. Moreover, such dissident voices can find ample encouragement among Chinese, Albanian, and other foreign Communist leaders, who generally distrust national bourgeois governments in underdeveloped countries and who give only nominal support to the idea of economic aid as a significant factor in the national liberation struggle.

There is no firm evidence that the current Soviet leadership has revised any of its fundamental assumptions with respect to its policies in underdeveloped areas. It has sought, in fact, to reassert with increased vigor the true militancy of its doctrine of coexistence and the implicit connection of that doctrine with the wider political objectives of the national liberation movement. However, in view of the modest political gains that can be directly attributed to foreign aid, economic

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

stringencies within the Bloc, and the recurrent evidences of opposition to the program among Communist Party elements both at home and abroad, Khrushchev himself may have come to a realization of the limited potential of the economic offensive as a factor of Communist strategy in underdeveloped areas. The decline in new aid extensions may have coincided with a more critical appraisal by the Soviet leadership of its aid policy -- an appraisal in which the politico-strategic returns commensurate with foreign aid resources expended are subject to a more rigorous calculation.

Some modifications in Soviet aid policy may already be in evidence. There has been a perceptible hardening of the Soviet line toward some "bourgeois nationalist" leaders together with demands that underdeveloped countries either rely more on their own resources or seek more aid from the West and the UN. Moreover, in contrast to the preeminent role that hitherto has been accorded the Bloc aid program, recent Soviet propaganda has emphasized trade rather than aid as the more decisive factor in securing and maintaining the "economic independence" of new states.

- 7 -

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

Analyst:

Coord:

25X1A

Sources:

1. Vneocherednoy XXI s'ezd KPSS, Moscow, 1959, pt II, p. 290. U.
2. Pravda, 9 May 58. U.
3. Ibid., 13 Jul 58. U.
4. Ibid., 16 Sep 62. U.
5. State. Memo of conversation, 1 Mar 63. OFF USE.
6. Kommunist, no 17, Nov 61, p. 47. U.
7. Pravda, 26 Dec 62. U.
8. Partelet, Budapest, Mar 62. U.
9. State, Prague. Airgram A-418, 8 Feb 63. C.

C-O-N-F-I-D-E-N-T-I-A-L

Approved For Release 2000/08/07 : CIA-RDP79T01003A001600130001-9
CONFIDENTIAL

CONFIDENTIAL

Approved For Release 2000/08/07 : CIA-RDP79T01003A001600130001-9

Analyst: [REDACTED] I/PO

Approved For Release 2000/08/07 : CIA-RDP79T01003A001600130001-9

OFFICE OF RESEARCH AND REPORTS

25X1A

Control Staff

Control Sheet

CONFIDENTIALGROUP 1
Excluded from automatic
downgrading and
declassificationSeries Number CIA/RR CB 63-42

Classification

Date of Document 6 May 1963

Number of Copies

275

Copy No.	Recipient	Date	Returned
1	25X1A DAD/RR	6 May 63	11 June 63
2	[REDACTED], Research Staff, DDI	"	
3	[REDACTED] OCI, 7G50	"	
161 - 223	St/P/C	"	
161	[REDACTED] St/P 25X1A	"	
162	D/GC	"	
163	[REDACTED] OCR 25X1A	"	7 May 63
164	[REDACTED]	13 May 63	
165	[REDACTED]	"	
166 25X1C	[REDACTED]	"	
167	[REDACTED]	"	
168	[REDACTED]	"	
169	[REDACTED]	"	
170	[REDACTED]	"	
171	[REDACTED]	"	
172	[REDACTED]	"	
173	[REDACTED]	"	
174 - 177	[REDACTED]	27 Jun 63	
178 - 223	Filed in St/P/C	6 May 63	
178 - 185	O/DDT via DAD/RR	6 May 63	
186 - 190	[REDACTED] I/PO	7 May 63	
25X1A 192 - 197	[REDACTED] O/DDT	8 May 63	
163	[REDACTED] ONE RECD	13 May 63	
44 - 77	Received from St/P/C	14 May 63	
35, 158 & 67	Received in St/P/C	15 May 63	
191	[REDACTED] OTR	20 May 63	25X1A
199 - 203	[REDACTED] O/DAD/RR for DDT	5 Jun 63	
208 - 211	A96 3624	10 June 63	
4	Received from O/DDT	11 June 63	25X1A
212 - 218	[REDACTED] for Foreign Liaison		
198	Spines (ref: K-6930)	18 Jun 63	25X1A
204	[REDACTED]	20 Jun 63	
183 - 185	Received from O/DDT	24 Jun 63	26 June 63
201 - 203	Received from O/DDT	28 Jun 63	
160	Received from St/P/R	11 July 63	
35, 158, 67, 201 - 207, 219 - 223	Sent to Records Center	21 July 63	
200	Received	21 Nov 63	
1, 4, 24 - 77	Received	21 Nov 63	

Approved For Release 2000/08/07 : CIA-RDP79T01003A001600130001-9

S-E-C-R-E-T

SUBJECT: Distribution of Current Support Brief No. 63-42,

Khrushchev's Economic Offensive and Its Critics --- 6 May 1963

(Confidential)

Copy No.

Recipient

4	O/DDI - Attn: [REDACTED] Room 7E32 Hq.	25X1A
5 - 6	N/C	
7 - 14	OCE Internal	
15 - 17	ONE	
18 - 23	SI/CS/RR	
24	O/DDI - [REDACTED]	25X1A
25 - 33	NSA [REDACTED]	25X1A
34	NSAL	
35 - 275	ORR/ST/I/D Distribution (sent direct to St/I/D, 6 May 63).	

(Distributed by OCE)

SECRET

ORR/S//D Distribution of Current Support Brief No. 63-42, Khushchev's
Approved For Release 2000/08/07 : CIA-RDP79T01003A001600130001-9
Economic Offensive and Its Critics --- 6 May 1963 (Confidential)

<u>Copy No.</u>	<u>Recipient</u>
35 32	AD/RR
158 33	DAD/RR
159 34	Ch/E
160 35	SI/PR
36-40	D/A (1 each branch)
41-46	D/MS (1 each branch)
47-53	D/R (1 each branch)
54-61	D/M (1 each branch)
62-70	D/I (1 each branch; 2 for I/TF)
71-73	D/GG
74-77	St/I (1 each branch)
78	EIC/S
79	St/FM
80	Analyst/Branch [REDACTED] I/PO) 25X1A
81	GR/CR
82	BR/CR
83	IR/CR
84	Library/CR
85	IPI/CR 25X1A
86	VMR [REDACTED]
87	AD/OO
88	Chief, FDD
89	CD/OO
90-92	RID/AN, Unit 4
93-95	OSI 25X1A
96	OBI
97	OTR/IS/IP, Room GC11, Hq.
98	NPIC/CSD/REF, Room 1S518, [REDACTED]
99	Commandant Nat'l. War College, Ft. Leslie McNair, Attn: Classified Records Section, Rm. 26, Nat'l. War College Bldg., Wash. 25, D.C.
100-110	ACSI/Army, Room 1D479, Pentagon
111-124	Navy, Director ONI, Room 5B659, Pentagon
125-134	HO, USAF, Attn: AFCIN-3D1, Room 4B137, Pentagon
135-136	Ass't. Secretary of Defense, ISA, Room 4D825, Pentagon
137-140	USIA, Attn: W. Phelps, IRR/D, Room 701, Walker Johnson Bldg., 1734 New York Ave., N.W.
141-152	State, INR Communications Center, Room 7818, State Dept. Bldg.
153-154	DIA, Services Division, Publications Section, Room 2C230, Pentagon
155-156	Dr. Neilson Debevoise, NSC, Room 365, Executive Office Building
157	Dept. of the Treasury, Office of International Finance, Mrs. E. D. Downing, Room 5421, 15th St. & Pennsylvania Ave., N. W., Attn: William Turpin, Special Ass't. to Secretary of the Treasury, Room 3330, Treasury Bldg.
161 220 -223	St/P/C, Room 4F41, Hq. (held in St/P/C, 6 May 63).
224-275	Records Center

Approved For Release 2000/08/07 : CIA-RDP79T01003A001600130001-9

SECRET



S-E-C-R-E-T

Approved For Release 2000/08/07 : CIA-RDP79T01003A001600130001-9
ORR PUBLICATIONS CONTROL PROCESSING SHEET

Subject CIA/RR CB 63-42 25X1A
Analyst [REDACTED] Branch I/PO

	Date	Initials	Remarks
I. IN Unedited draft Edited draft Other	10 May 63	MRB	Deletions [REDACTED] Remove page 8. 25X1C
II. SECURITY a) Text check b) Sources to be checked	18 June 63	25X1C	[REDACTED]
Release authorized Releasable to		25X1C	Remove cover; Remove page 8.
25X1C [REDACTED]	26 June 63	JR	Same as above for foreign Intel Service and and date of CB + copy # to find page are correct if retyped.
d) Release requested: 1) initiated 2) received			
III. OUT Report #1 sent to AD/RR Report #2 sent to DDI Report #3 given to [REDACTED] for sanitizing OL/PSD notified to disseminate	25X1A		

Group 1
Excluded from automatic
downgrading and
declassification